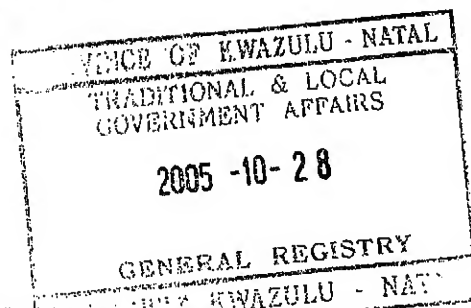
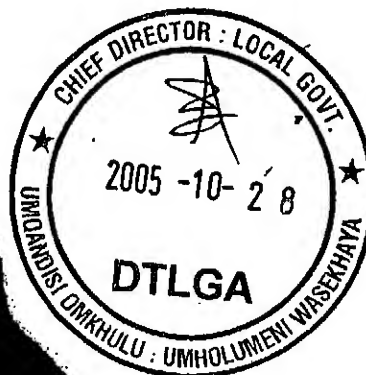
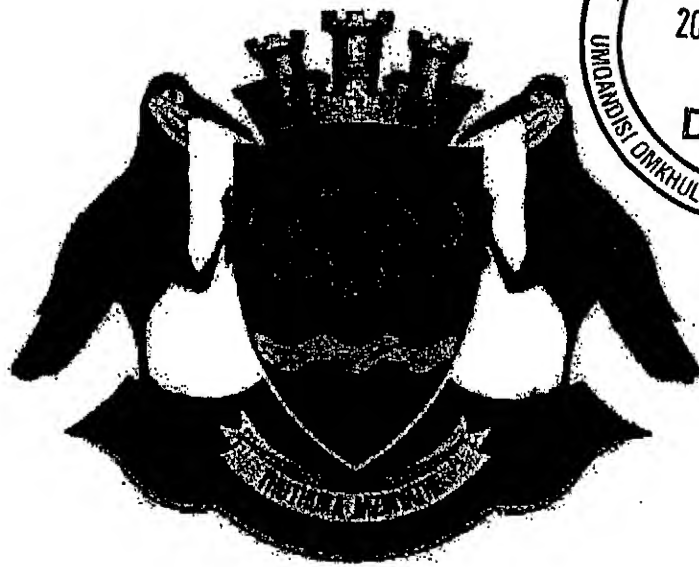


① FIO/24/13/2/6/1/Financial
Statements
04/05

UMZINYATHI DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2005



O-M Finance
for attention
please

#D 28-10-05

→ Lamele/Bret

UMZINYATHI DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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UMZINYATHI DISTRICT MUNICIPALITY

GENERAL INFORMATION

Council members

Speaker	Clr. F.J. Sikhakhane
Mayor	Clr. M.S. Yengwa
Deputy Mayor	Clr. A.M. Mtshali
Exco Members	Clr. J.M. Mthethwa Clr. F.S. Mkhize
Council Members	Clr. Z.R. Sithole Clr. B.J. Sibiya Clr. M.I. Sithole Clr. A. Shaikh Clr. M.G. Zikode Clr. D.J. Zulu Clr. M.T. Mzila Clr. M.G.L. Newmarch Clr. P.M.S. Ngubane Clr. W.N. Mbatha Clr. P.M. Nxele Clr. L.D. Ngubane Clr. B. Chambule Clr. B.J. Dladla Clr. P.G. Mabilisa Clr. F.B.H. Mazibuko Clr. N.E. Zwane

Grading of Municipality

Grade 4 (in terms of Government Notice R999 dated 2 October 2001)

Auditors

The Auditor-General
Private Bag X9034
PIETERMARITZBURG
3200

UMZINYATHI DISTRICT MUNICIPALITY

GENERAL INFORMATION

Bankers

ABSA Bank Limited

Registered office

First Floor
Natal-Agri Building
39 Victoria Street
DUNDEE
3000

P O Box 1965
DUNDEE
3000

Tel: (034) 218 1945/6
Fax: (034) 218 1940
E-mail: registry@umzinyathi.gov.za

Municipal Manager

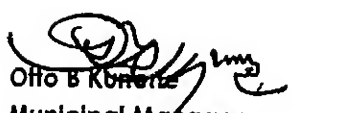
Otto B Kunene
Personnel Management Certificate, CEO Certificate

Chief Financial Officer

Gerhard Esterhuizen
FIAC - AIMFO

Approval of Financial Statements

The financial statements set out on pages 7 to 34 were approved by the Municipal Manager on 21 October 2005.



Otto B Kunene
Municipal Manager
(Accounting Officer)



Gerhard Esterhuizen
Chief Financial Officer

UMZINYATHI DISTRICT MUNICIPALITY

FOREWORD

The Capital and Operating Budget 2004/2005 of the uMzinyathi District Municipality was managed well, taking into consideration that the uMzinyathi District Municipality was on various occasions confronted with budget constraints.

Local Government is a very dynamic environment and needs commitment each and every day to ensure the implementation and correct execution of current legislation that instructed Local Government.

However, with commitment of Councillors and employees good progress was made to ensure the sound and sustainable running of the uMzinyathi District Municipality.

In 2001 President Thabo Mbeki introduced the Integrated Sustainable Rural Development Programme. The aim of this programme is to eradicate and improve the quality of life of rural people.

We have continued to create support structures where communities from different backgrounds are able to participate in community and government programmes. Efforts were made to improve the living conditions of all the people within our communities, ensuring that all our people have access to at least a basic level of service.

All of the uMzinyathi District Municipality's achievements were made possible by the positive attitude displayed by both the Councillors and employees.

I want to thank each and every Councillor and employee for supporting the Council and myself in this dynamic financial year and express the wish that the current spirit of trust and understanding will be maintained and the uMzinyathi District Municipality will be in the near future regarded as a model District Municipality.

Councillor M.S. Yengwa
Mayor: uMzinyathi District Municipality

UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE AUDITOR-GENERAL

30 JUNE 2005

The report of the Auditor-General will be inserted after the audit.

UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

30 JUNE 2005

1. INTRODUCTION

I am pleased to present a concise overview of the past financial year's operating results. The operating income is 32.77% below budget and operating expenditure is 38.30% below budget. uMzinyathi District Municipality has realised an operating surplus of R11 331 610. Levy income as at 30 June 2005 amounted to R10 896 351 (R10 488 818 in 2004) and was budgeted for R10 092 885.

During the financial year the water and sanitation services assets were transferred to uThukela Water (Pty) Ltd in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the four WSA's being uMzinyathi District Municipality, Amajuba District Municipality, uThukela District Municipality and Newcastle Local Municipality.

2. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F.

The overall operating results for the year ended 30 June 2005 are as follows:

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual / Budget %
Income					
Opening Surplus/(Deficit)	5,554,075	8,336,210	50.09%	-	-
Operating Income for the year	92,077,277	89,300,924	-3.02%	132,831,003	-32.77%
Sundry transfers	-208,338	6,378,851			
Sub-total	97,423,015	104,015,984	6.77%	132,831,003	-21.69%
Expenditure					
Operating Expenditure for the year	89,086,805	77,969,312	-12.48%	126,376,052	-38.30%
Closing Surplus/(Deficit)	8,336,210	26,046,671	212.45%	6,454,951	303.51%
Sub-total	97,423,015	104,015,984	6.77%	132,831,003	-21.69%

2.1 Resource Support Services

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual / Budget %
Income	61,602,371	57,458,938	-6.73%	101,338,478	-43.30%
Expenditure	59,540,212	46,127,327	-22.53%	89,795,970	-48.63%
Surplus / (Deficit)	2,062,159	11,331,611	449.50%	11,542,508	-1.83%
Surplus as %age of total income	3.35%	19.72%	-6682.96%	11.39%	4.22%

UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

30 JUNE 2005

2.2 Economic Services: Sanitation

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual / Budget %
Income	8,525,891	-	-100.00%	-	0.00%
Expenditure	6,524,422	-	-100.00%	260,500	-100.00%
Surplus / (Deficit)	2,001,469	-	-100.00%	-260,500	-100.00%
Deficit as %age of total income	23.48%	0.00%	0.00%	0.00%	0.00%

2.3 Trading Services: Bulk Water

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual / Budget %
Income	4,608,104	31,841,986	591.00%	31,104,098	2.37%
Expenditure	10,787,267	31,841,986	195.18%	25,888,614	23.00%
Surplus / (Deficit)	-6,179,163	-	-100.00%	5,215,484	-100.00%
Deficit as %age of total income	-134.09%	0.00%	-16.92%	16.77%	-4215.29%

2.4 Trading Services: Water Reticulation

	Actual 2004 R	Actual 2005 R	Variance 2004/05 %	Budget 2005 R	Variance Actual / Budget %
Income	17,340,912	-	-100.00%	388,427	-100.00%
Expenditure	12,234,903	-	-100.00%	-	0.00%
Surplus / (Deficit)	5,106,009	-	-100.00%	388,427	-100.00%
Surplus as %age of total income	29.44%	0.00%	0.00%	100.00%	100.00%

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R8 105 088.

UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

30 JUNE 2005

The expenditure consists of the following:

	Actual 2005 R	Budget 2005 R	Actual 2004 R
Furniture & Equipment	105,088	354,000	220,668
Vehicles	-	-	3,848,396
Infrastructure Projects	-	11,089,000	3,506,195
Water Projects	-	70,224,000	36,396,154
Land & Buildings	8,000,000	5,000,000	2,014,059
	8,105,088	86,667,000	45,985,472

The variance in furniture and equipment is mainly due to items budgeted for but not purchased during the financial year. This is mainly due to changes in operations.

A complete analysis of capital expenditure is included in Appendix C.

Resources used to finance the fixed assets were as follows:

	Actual 2005 R	Budget 2005 R	Actual 2004 R
Revenue Contributions	5,105,088	5,354,000	5,285,361
Grants & Subsidies	-	81,313,000	40,167,724
Surplus on Sale of Assets	-	-	-
Maintenance Provision	-	-	-
Finance Leases / External Loans	3,000,000	-	532,386
	8,105,088	86,667,000	45,985,471

More details regarding external loans, internal advances and other sources of financing used to finance fixed assets are shown in Appendices B and C respectively.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2005 amount to R3 366 556 (R19 257 893 in 2004) as set out in note 4 and Appendix B.

Investments and cash as at 30 June 2005 amount to R58 486 950 (R40 416 355 in 2004)

UMZINYATHI DISTRICT MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

30 JUNE 2005

4. FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and provisions is set out in Appendix A.

A contribution of 3% of total income was made to the capital development fund and 50% of the interest earned by the capital development fund was transferred back to the operational services in terms of the Local Authorities Ordinance of 1974, Act No. 25 of 1974.

The provision for leave payments was decreased to R686 003 (R910 721 in 2004).

The water services staff leave provision was transferred to uThukela Water (Pty) Ltd during the year. The leave provision for the water services staff amounted to R336 020.

5. PROJECTS

Incomplete projects have been treated as debtors and creditors, where necessary these will be capitalised upon completion.


6. CONTINGENT LIABILITIES

In September 2003 the municipality entered into an agreement with PriceWaterhouseCoopers for assistance in the collection of the VAT debtor of R7 647 612. In terms of this agreement an amount of R667 044 will be payable to PriceWaterhouseCoopers on successful collection of this debt.

7. APPRECIATION

I would like to thank the Mayor, the Deputy Mayor, the Speaker, Members of the Exco Committee, Councillors, the Municipal Manager and Heads of Departments for the support they have given me and my personnel during the year.

I would also like to thank the staff of the Finance Department for their commitment and support on preparing the financial statements.



Bernard Esterhuizen
FIAC AIMFO
Chief Financial Officer

UMZINYATHI DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation.
- Grants or donations, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

All proceeds from the sale of fixed assets are credited to the Capital Development Fund. Net proceeds from the sale of all other assets are credited to the surplus on sale of assets or utilised immediately to partly finance replacement assets.

Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Stock

The value of all stocks and stores is reflected at the lower of average cost and net realisable value.

5. Funds and Reserves

Consolidated Capital Development Fund

Section 103(9) (1) of the Local Authorities Ordinance No. 25 of 1974 requires a contribution of not less than three percent of the annual revenue accruing to the municipality fund and to the relevant trading funds: provided that when a capital development fund has reached an amount which is sufficient for the Council's immediate or foreseeable needs the Council may suspend or reduce contributions into such fund for such a period as may be approved by the Premier.

Loan Redemption Fund

The redemption of the following stock is provided for by annual contribution to the Loan Redemption Fund calculated on the life of assets acquired but subject to a limitation of a maximum of 35 years on the life of any individual asset.

- Public Investment Commissioner
- UAL Merchant Bank

UMZINYATHI DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

- Sanlam
- Glencoe Transitional Local Council

Internal loans are repaid in relation to the life of an asset. Redemption on government loans and other loans not specified above are paid half yearly on an annuity basis.

Depreciation and Renewals Fund

Section 146(1) of the Local Authorities Ordinance, 1974 (No 25 of 1974) requires a contribution for renewing any assets, work or undertaking, or portion thereof, having a certified life less than the loan period.

Reserves: Government grants

These reserves represent the unspent portion of conditional grants received from the various spheres of government. The unspent portion of the grant is transferred to either the income statement or loans redeemed and other capital receipts as appropriate when the relevant expenditure is incurred.

Reserves: General Distributable Reserve

This represents funds set-aside from operating income to be utilised to fund council operations or programmes. The funds are paid into a reserve until there is sufficient funding available for the need identified.

Reserves: Capital Carry-over Reserve

Where projects to be funded from income are not completed by the end of the financial year for various reasons, the funds earmarked for the completion of such projects are debited to this reserve and the projects completed in the following year.

6. Surpluses and Deficits

Any surpluses or deficits arising from the operation of each service are retained in that service for its own use.

7. Treatment of administration and other overhead expenses

The cost of internal support services is transferred to the various services in accordance with the Institute Report on Accounting for Support Services (June 1990).

UMZINYATHI DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

8. Leased assets

Fixed assets held under finance leases are capitalised. Such asset are effectively amortised over the term of the lease agreement.

- Lease finance charges are allocated to the accounting periods over the duration of the lease by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.
- All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9. Investments

Investments are shown at cost and are invested in accordance with section 125 of the Local Authorities Ordinance, 1974 (No 25 of 1974) and in terms of the Kwa-Zulu and Natal Joint Services Act, 1990 (No 84 of 1990). Permanent declines in value are not normally envisaged as funds are invested with approved banking institutions as per IMFO guidelines.

However, in the event that permanent declines in value do occur, these will be written-off against unappropriated surpluses.

10. Income recognition

Water Billing

Meters are read and billed monthly and income from water sales is recognised on the date such meters are read.

Levies are recognised as income when received.

11. Provisions

Provisions are established where considered necessary and the basis used in determining contributions is as follows:

- Maintenance provisions: Contributions are based on 0,25% of the capital value of a specific plant unless specifically decided otherwise.

UMZINYATHI DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

12. Retirement benefits

The Council and its employees contribute to the KZN Joint Municipal Pension Fund which provides retirement benefits for such employees.

The retirement benefit plans are subject to the Pension Funds Act, 1956 with pensions being calculated on the final annual pensionable remuneration paid. The current contributions are charged against operating income on the basis of current service costs.

Unfavourable experience adjustments and the cost of securing increased benefits are charged to operating income by way of increased contributions usually within five to seven years or other such period recommended by the actuary.

Favourable experience adjustments are retained in the retirement benefit plan. Full actuarial valuations are performed every three years.

UMZINYATHI DISTRICT MUNICIPALITY

BALANCE SHEET

30 JUNE 2005

	Note	2005 R	2004 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		30,796,083	39,389,831
Accumulated funds	1	7,529,196	11,358,302
Reserves	2	23,266,887	28,031,529
ACCUMULATED SURPLUS	16	26,046,671	8,336,210
		56,842,754	47,726,042
LONG-TERM LIABILITIES	3	3,228,348	19,028,749
CONSUMER DEPOSITS	11	-	38,272
		60,071,101	66,793,063
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	3,523,533	16,627,921
INVESTMENTS	5	22,601,525	21,968,883
LONG-TERM DEBTORS	6	538,247	949,104
		26,663,305	39,545,908
NET CURRENT ASSETS		33,407,796	27,247,156
CURRENT ASSETS		64,076,647	59,496,816
Inventory	7	-	92,927
Debtors	8	28,191,222	40,993,260
Investments: short-term portion	5	3,696,933	10,459,322
Cash	21	32,188,493	7,951,306
CURRENT LIABILITIES		30,668,851	32,249,660
Provisions	9	686,003	2,932,088
Creditors	10	29,844,640	29,088,429
Loans: short-term portion	3	138,208	229,143
		60,071,101	66,793,063

UMZINYATHI DISTRICT MUNICIPALITY

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

2004				2005			
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	Budget Surplus/ (Deficit) R
61,602,371	59,540,212	2,062,159	RESOURCE SUPPORT SERVICES	57,458,938	46,127,327	11,331,611	11,542,508
8,525,891	6,524,422	2,001,469	ECONOMIC SERVICES: SANITATION	-	-	-	(260,500)
4,608,104	10,787,267	(6,179,164)	TRADING SERVICES: BULK WATER	31,841,986	31,841,986	-	(5,215,484)
17,340,912	12,234,903	5,106,009	TRADING SERVICES: WATER RETIC	-	-	-	388,427
<u>92,077,277</u>	<u>89,086,805</u>	<u>2,990,473</u>	TOTAL	<u>89,300,924</u>	<u>77,969,312</u>	<u>11,331,611</u>	<u>6,454,951</u>
		(208,338)	Appropriations, for the year (refer to note 16)			6,378,851	
		<u>2,782,135</u>	Net surplus/(deficit) for the year			<u>17,710,462</u>	
		5,554,075	Accumulated surplus beginning of the year			8,336,210	
		<u>8,336,210</u>	ACCUMULATED SURPLUS / (DEFICIT) END OF THE YEAR			<u>26,046,671</u>	

UMZINYATHI DISTRICT MUNICIPALITY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH RETAINED FROM OPERATING ACTIVITIES		44,940,682	46,388,763
Cash generated by operations	17	16,762,454	1,366,505
Investment income	15	1,992,745	3,513,125
(Increase) / Decrease in working capital	18	13,932,826	(20,344,423)
		32,688,025	(15,464,793)
Less : External Interest paid		341,590	2,995,776
Cash available from operations		32,346,435	(18,460,569)
Cash contributions from the Public and State		12,594,247	64,822,932
Proceeds from the disposal of fixed assets		-	26,400
CASH UTILISED IN INVESTING ACTIVITIES		(11,069,685)	(45,985,472)
Investment in fixed assets	4	(11,069,685)	(45,985,472)
NET CASH FLOW		33,870,997	403,291
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in long-term loans	19	(15,800,401)	(2,206,238)
Investment written-off	5 / 16	-	-
(Increase) / Decrease in cash investments	20	6,129,748	(8,025,222)
(Increase) / Decrease in cash on hand and at bank	21	(24,200,343)	9,828,169
NET CASH GENERATED		(33,870,996)	(403,291)

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 R	2004 R
1. ACCUMULATED FUNDS		
Consolidated Capital Development Fund	7,529,196	10,581,953
Loans Redemption Fund	-	-
Depreciation and Renewals Fund	-	776,349
	<u>7,529,196</u>	<u>11,358,302</u>
(Refer to Appendix A for more detail)		
2. RESERVES		
Government Grants	22,078,810	17,237,090
General Distributable Reserve	-	5,087,796
Capital carry-over Reserve	378,036	5,328,963
Disaster Management Fund	810,041	377,680
	<u>23,266,887</u>	<u>28,031,529</u>
(Refer to Appendix A for more detail)		
3. LONG-TERM LIABILITIES		
Annuity loans	-	4,939,570
Finance leases	445,531	527,926
Local registered stock	-	-
Other loans	2,921,025	13,790,397
	<u>3,366,556</u>	<u>19,257,893</u>
Less: Current portion transferred to Current liabilities	138,208	229,143
Local registered stock	-	-
Other loans	-	70,219
Finance leases	138,208	158,924
	<u>3,228,348</u>	<u>19,028,749</u>

(Refer to Appendix B for more detail on long-term liabilities)

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

2005	2004
R	R

LOCAL REGISTERED STOCK

Bear interest at rates between 9.5% and 14.75% per annum and have been redeemed in full.

ANNUITY AND OTHER LOANS

Bear interest at rates of between 7.5% per annum and 16.85% and will be fully redeemed in 2019.

The terms of the Loan received from Amajuba District Municipality have not yet been agreed upon. The finance leases are secured by assets of uMzinyathi District Municipality as reflected in note 4.

4. FIXED ASSETS

Fixed assets	140,186,578	94,201,107
Capital outlay during the year	11,069,686	45,985,471
Less : Assets written off, transferred or disposed of during the year	118,473,752	-
Total fixed assets	32,782,512	140,186,578
Less : Loans redeemed and other capital receipts	29,258,979	123,558,657
Net fixed assets	3,523,533	16,627,921

Fixed assets totalling R1 904 035 (2004: R1 904 035) have been provided as security for finance leases. (Refer to note 3)

(Refer to Appendix C and section two of the CFO's Report for more detail on fixed assets)

5. INVESTMENTS

Unlisted :

Long term deposits	22,601,525	21,968,883
--------------------	------------	------------

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 R	2004 R
Call deposits	3,696,933	10,459,322
Total investments	<u>26,298,458</u>	<u>32,428,206</u>
Managements' valuation of unlisted investments.	<u>26,298,458</u>	<u>32,428,206</u>
Average gross rate of return on investments	8%	10%

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

Investments valued at R4 107 505 (2004 : R4 107 505) have been invested in a zero coupon bond and ceded to INCA in terms of the loan agreement with INCA.

A financial institution at which Council has invested surplus funds at 30 June 2005 of R2 548 474 (2004 : R2 548 474) was placed under receivership. At present the recoverability of this investment is uncertain. No provision has been made in this regard.

6. LONG TERM DEBTORS

Car loans	580,993	1,093,299
Less : Provision for doubtful debts	-	31,289
	<u>580,993</u>	<u>1,062,010</u>
Bridging finance	265,446	298,496
Other loans	22,000	22,000
	<u>868,439</u>	<u>1,382,506</u>
Less : Short-term portion	330,191	433,402
	<u>538,247</u>	<u>949,104</u>

7. INVENTORY

Inventory represents consumable stores.	-	92,927
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Where necessary, provision is made for obsolete inventory.

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005	2004
	R	R
8. DEBTORS		
Consumer debtors	14,120,079	11,825,099
Other debtors	468,420	16,503,897
Deposits	74,243	74,743
Inter-authority debtors	1,474,265	10,587,694
Staff debtors	96,240	173,406
Short-term portion of long-term debtors	330,191	-
Receiver of Revenue - Value Added Tax	12,533,985	7,647,612
Less : Provision for doubtful debts	(906,201)	(6,283,882)
	<u>28,191,222</u>	<u>40,528,569</u>
Debtors written of as a percentage of operating income	0%	0%
Number of days consumer debtors outstanding		115

The VAT debtor has increased by R4 886 373 during the year under review due to non-settlement of claims submitted to SARS during this period. This is due to the fact that SARS does not settle current claim in the event that there are outstanding matters to be attended to in prior periods.

The municipality has engaged the services of a VAT specialist to assist in recovering the VAT debtor from SARS.

9. PROVISIONS

Leave pay	686,003	910,721
Maintenance	-	2,021,367
(Refer to appendix A for more detail)	<u>686,003</u>	<u>2,932,088</u>

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005	2004
	R	R
13. COUNCILLORS' REMUNERATION		
Mayor's allowance	129,198	110,073
Deputy Mayor's allowance	245,227	278,744
Speaker's allowance	61,667	60,185
Members' allowances	663,204	628,376
Executive committee allowances	167,102	196,300
Local Authority attendance fees	-	13,058
Medical aid contributions	12,168	9,126
Pension fund contributions	73,797	44,748
	<u>1,352,363</u>	<u>1,340,611</u>
14. AUDITORS' REMUNERATION		
Audit fees	<u>613,379</u>	<u>613,379</u>
15. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
Interest earned	1,992,745	3,513,125
Interest paid	<u>341,590</u>	<u>2,995,776</u>
Capital charges debited to operating account:		
Interest :		
External	341,590	2,995,776
Internal	-	37,808
Redemption :		
External	156,977	3,187,677
Internal	-	43,451
Prior year adjustment:		
External	-	-
	<u>498,567</u>	<u>6,264,711</u>

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 R	2004 R
16. APPROPRIATIONS		
Appropriation account		
Accumulated surplus / (deficit) at the beginning of the year	8,336,210	8,336,210
Operating surplus / (deficit) for the year	11,331,611	-
Appropriations for the year	6,378,850	(208,338)
Prior year adjustments - other	-	(2,688)
Cancelled cheques written back	-	590,196
Interest received iro prior year	701,381	-
Transfer of reserves	-	(799,400)
Transfer of previous year grant	-	194,869
Write-back of provisions	23,831	216,563
Write-back of prior year accruals	-	122,986
Correcting duplications	5,653,638	(223,487)
Refund of levies iro prior year	-	(4,220)
Prior year water sales reversed	-	(35,797)
Prior year expenditure	-	(144,443)
Interest paid iro prior year	-	(122,917)
Accumulated surplus at the end of the year	<u>26,046,670</u>	<u>8,127,872</u>
Operating account		
Capital expenditure	8,105,088	5,285,360
Contributions to provisions:	546,172	505,575
Maintenance provision	-	309,737
Leave pay	546,172	195,838
Contribution to Consolidated Capital Development Fund	1,975,762	2,090,692
Depreciation and renewals Fund	-	5,733
	<u>10,627,022</u>	<u>7,887,359</u>
The Prior year adjustments - other is made up of the following adjustments:		
Prior year expenditure	-	-
System errors	-	(13,878)
Correction of expenditure allocations	-	11,189

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005	2004
	R	R
Total	-	(2,688)

17. CASH GENERATED BY OPERATIONS

Surplus / (deficit) for the year	11,331,611	3,267,305
Adjustments in respect of:		
Previous years' operating transactions	6,378,850	(251,253)
Appropriations charged against Income:	546,172	7,887,359
Consolidated Capital Development Fund	-	2,090,692
Provisions	546,172	505,575
Doubtful debts	-	-
Depreciation and renewals fund	-	5,733
Fixed Assets	-	5,285,360
Capital charges :	498,567	6,264,711
Interest paid :		
- to internal fund	-	37,808
- on external loans	341,590	2,995,776
Redemption :		
- of internal advances	-	43,451
- of external loans	156,977	3,187,677
Investment income (operating account)	(1,992,745)	(2,145,136)
Other income		-
Non-operating expenditure :		
Expenditure charged against		-
Accumulated funds and reserves	-	(13,379,649)
	16,762,454	1,643,337

18. (INCREASE) / DECREASE IN WORKING CAPITAL

(Increase) / Decrease in inventory	92,927	25,092
(Increase) / Decrease in debtors	12,802,038	(18,455,098)
Increase / (Decrease) in creditors	756,211	518,345
(Increase) / Decrease in long-term debtors	410,857	193,688
Increase / (Decrease) in consumer deposits	(38,272)	5,545

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005 R	2004 R
Increase / (Decrease) in short-term portion of long-term li	(90,935)	(2,871,984)
	<u>13,932,826</u>	<u>(20,584,412)</u>
19. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans raised	3,000,000	981,438
Loans redeemed	(18,800,401)	(3,187,677)
	<u>(15,800,401)</u>	<u>(2,206,238)</u>
20. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments made	(15,000,000)	(23,025,222)
Investments realised	21,129,748	15,000,000
	<u>6,129,748</u>	<u>(8,025,222)</u>
21. (INCREASE) / DECREASE IN CASH ON HAND AND AT BANK		
Cash balance: beginning of the year	7,988,150	17,779,475
Less: Cash balance end of the year	32,188,493	7,988,150
	<u>(24,200,343)</u>	<u>9,791,325</u>

22. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

2005	2004
R	R

The retirement plan is subject to the Pension Funds Act, 1956

Retirement Fund

An actuarial valuation of the the Natal Joint Municipal Pension Fund (Retirement) was conducted as at 31 March 2002. The value of the assets taken at full market value was less than the liabilities by R103 431 000 (the fund did not hold an "Investment Reserve").

There was a surplus of R29 714 000 in the Memorandum Account and a shortfall of R133 145 000 in the balance of the Fund which requires additional corrective measures to be taken. The overall position of the fund has improved in that the funding level has increased from 73.20% to a current level of 83.90%.

Basic contributions for future service exceeded that required by 2.7% of members pensionable emoluments. The surcharges payable should meet the service deficit by eight years provided increases in pensionable emoluments does not exceed inflation.

Superannuation Fund

An Interim valuation of the the Natal Joint Municipal Pension Fund (Superannuation) was conducted as at 31 March 2002. The value of the assets taken at 95.5% of market value exceeded the values of the liabilities for the service of members to that date and for pensioners by R26 706 000.

There was surplus of R12 836 000 in the Memorandum Account and a surplus of R13 870 000 in the balance of fund. The fund held an Investment Reserve of some R78 400 000 as a cushion against volatility in investment markets.

The total contribution rate payable exceeded that required for future service by 4.06% of members pensionable emoluments. The fund was in a sound financial condition at 31 March 2002 and the actuary is satisfied that the asset composition of the fund at that date was appropriate to the nature of its liabilities.

Provident Fund

An interim actuarial investigation of the Fund was performed as at 31 March 2002. The investment reserve account stood at R13 150 000 and the unallocated reserve account at R5 098 000, which

UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

2005	2004
R	R

covers certain death benefits and expenses.

The costs of death benefits and expenses exceed the contributions of 3,75% being allocated to the unallocated reserve account and the resultant shortfall will be met out of the assets in the account. The actuary estimates that after five years it will be necessary to reduce benefits or increase contributions.

23. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for	-	5,328,963
Approved but not yet contracted for	-	86,667,000
	<u>-</u>	<u>91,995,963</u>

This expenditure will be financed from:

Internal sources	-	10,682,963
External sources	-	81,313,000
	<u>-</u>	<u>91,995,963</u>

24. CONSOLIDATED CAPITAL DEVELOPMENT FUND

Outstanding advances to borrowing services:

Accumulated fund	-	-
Less: External investments	-	(334,628)
Temporary advance	-	-

(Refer to Appendices A and B for more detail)	<u>-</u>	<u>334,628</u>
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UMZINYATHI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2005

	2005	2004
	R	R
25. LOAN REDEMPTION FUND		
Outstanding advances to borrowing services		
Accumulated fund	-	-
Less: External investments	-	-
(Refer to Appendix A for more detail)	<u>-</u>	<u>-</u>
26. DEPRECIATION & RENEWALS FUND		
Outstanding advances to borrowing services		
Accumulated fund	-	776,349
Less: External investments	-	776,349
Temporary advance	-	-
(Refer to Appendices A and B for more detail)	<u>-</u>	<u>-</u>
27. CONTINGENT LIABILITIES		

In September 2003 the municipality entered into an agreement with PriceWaterhouseCoopers for assistance in the collection of the VAT debtor of R7 647 612. In terms of this agreement an amount of R667 044 will be payable to PriceWaterhouseCoopers on successful collection of this debt.

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX A

ACCUMULATED FUNDS, PROVISIONS AND RESERVES

	Balance at 30/06/2004 R	Contributions during the year R	Interest on Investments R	Other Income R	Expenditure during the Year R	Balance at 30/06/2005 R
ACCUMULATED FUNDS						
Consolidated Capital Development Fund	10,581,954	1,975,762			5,028,520	7,529,196
Loan Redemption Fund	-					-
Depreciation and Renewals Fund	776,348				776,348	-
	11,358,302	1,975,762	-	-	5,804,868	7,529,196
PROVISIONS						
Leave pay	910,721	546,172			770,890	686,003
Maintenance Provision	2,021,367				2,021,367	-
	2,932,088	546,172	-	-	2,792,257	686,003
RESERVES						
Government Grants						
Civil protection	23,500					23,500
CMC and Secretariat Grant	61,988					61,988
CMIP amounts received in advance	272,858				123,355	149,503
CMIP funding reserve	1,815,412					1,815,412
Community communication Initiative	100,000				50,000	50,000
Disaster management vehicle	62,502				62,502	-
DWAF	38,000					38,000
DWAF amounts received in advance	518,103					518,103
Economic regeneration study	-					-
Emandleni Grazing Camp Grant	29,227					29,227
Financial Management Reforms	1,000,000				323,311	676,689
GIS System Grant	1,014,862				6,000	1,008,862
IDP Grant (Transitional Grant)	1,777,801				177,480	1,600,321
ISRD P projects	1,482,471					1,482,471
ICS Funding Grant	-	2,400,000				2,400,000
IDP and capacity building	50,000					50,000
Improvement of service conditions	-					-
INdlovu Committed Funds	1,078,852					1,078,852
INdlovu Net Residual Assets	703,337					703,337
Integrated transport plan	263,544	227,196			122,804	367,937
Management Audit Grant	50,000				50,000	-
Municipal monitoring system	220,000				220,000	-
Municipal Support Grant	748,858				264,835	484,023
Municipal systems improvement	2,896,343	2,095,303				4,991,646
Planning capacity building	-					-
Premier's Office Funding	40,881					40,881
Rural Service System	-					-
Skills development levy	110,762				110,762	-
Sports & Recreation: Fabeni Sports Complex	281,311				49,943	231,368
Sports & Recreation: Nquthu Sports Stadium	738,993				236,524	502,468
Sports & Recreation: Tugela Ferry & Pomeroy	-					-
Sports & Recreation: uMvoti Sports Complex	1,176,629				861,771	314,857
Tourism	40,560					40,560
Transformation manager	640,300				95,080	545,220
General Distributable Reserve	5,087,796				5,087,796	-
Capital Carry-over Reserve	5,328,963				4,950,927	378,036
Disaster Management Fund	377,680	432,361				810,041
Conditions of service improvement	-	194,869			194,869	-
Drought Relief	-	2,873,587				2,873,587
	28,031,533	5,154,861	-	-	12,987,959	23,266,888

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

			Balance at	Received	Redeemed	Balance at
			30/06/2004	During the	or Written off	30/06/2005
			R	Year	During the	R
				R	Year	
					R	
ANNUITY LOANS						
Amajuba District Municipality						
(Terms not yet agreed upon)						
			4,939,570		4,939,570	-
			4,939,570	-	-	-
OTHER LOANS						
INCA loan	16.85%	2011	10,832,760		10,832,760	-
DBSA loan	12.00%	2019	2,957,637		2,957,637	-
DBSA loan	12.00%	2019	-	3,000,000	78,975	2,921,025
Finance leases		Various	527,926		82,395	445,531
			14,318,323	3,000,000	13,951,767	3,366,556
(Refer to notes 3)			19,257,893	3,000,000	13,951,767	3,366,556
INTERNAL ADVANCES TO BORROWING SERVICES						
Capital Development Fund						
			334,628		334,628	-
Temporary advances						
Consolidated Capital Development Fund						
			-			-
Depreciation and renewals fund						
			-			-
			334,628	-	334,628	-

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS

Expenditure 2004 R	Service R	Budget 2005 R	Balance at 30/06/2004 R	Expenditure 2005 R	Transferred to uThukela Water 2005 R	Transferred 2005 R	Balance at 30/06/2005 R
5,517,638	Resource Support Services	5,354,000	37,173,758	11,069,685		(15,460,932)	32,782,512
40,467,833	Regional Water Services	81,313,000	103,012,820	-	118,473,752	15,460,932	-
1,829	Biggarsberg R.W.S		30,550,554		30,550,554		-
	Ethembeni R.W.S		-				-
40,454,634	Reticulation schemes	81,313,000	62,945,431		78,406,363	15,460,932	-
	Nondweni		1,609,002		1,609,002		-
11,370	Nqutu R.W.S		7,907,833		7,907,833		-
45,985,472	TOTAL FIXED ASSETS	86,667,000	140,186,579	11,069,685	118,473,752	-	32,782,512
LOANS REDEEMED AND OTHER							
48,684,211	CAPITAL RECEIPTS		123,558,657	8,105,088	99,404,766		29,258,979
3,231,127	Loans redeemed		10,184,781	3,000,000	10,184,781		-
5,285,360	Contributions from operating income		26,141,328	5,105,088	2,032,818		29,213,598
	Renewals fund		92		92		-
	Maintenance provision		79,315		79,315		-
	Surplus on sale of assets		48,829		30,065		18,764
40,167,724	Grants and Subsidies		86,979,244		86,979,244		-
	Public contributions		125,068		98,451		26,617
(2,698,739)	NET FIXED ASSETS		16,627,922	2,964,597	19,068,986	-	3,523,532

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2005

Actual 2004 R		Actual 2005 R	Budget 2005 R
INCOME			
52,117,903	Government and Provincial grants and subsidies	72,242,211	81,391,319
10,488,818	Levy income	10,896,351	10,092,885
17,699,142	Water sales	1,030,591	35,612,910
8,525,891	Sanitation Fees	-	-
3,245,524	Other	3,896,396	5,733,889
<u>92,077,277</u>		<u>88,065,549</u>	<u>132,831,003</u>
EXPENDITURE			
14,040,234	Salaries, wages and allowances	11,044,622	20,489,104
48,834,801	General expenses	48,761,374	72,966,550
2,450,107	Repairs and maintenance	390,772	3,118,706
3,384,712	Capital charges	456,265	2,782,593
4,189,557	Contributions to fixed assets	-	5,325,235
15,913,097	Contributions	16,080,905	21,693,864
274,296	Capital Projects	-	-
<u>89,086,805</u>	Gross expenditure	<u>76,733,938</u>	<u>126,376,052</u>
-	Less: Amounts charged out	-	-
<u>89,086,805</u>	Net expenditure	<u>76,733,938</u>	<u>126,376,052</u>

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX E

DETAILED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

2004 Actual Income R	2004 Actual expenditure R	2004 Surplus/ (deficit) R		2005 Actual Income R	2005 Actual expenditure R	2005 Surplus/ (deficit) R	Budget Surplus/ (deficit) R
61,402,371	59,540,212	2,062,159	Resource Support Services	57,458,738	44,127,327	11,331,411	11,542,608
16,822	6,056,463	(6,039,641)	Corporate Services	15,550	5,311,888	(5,296,338)	(3,510,775)
-	274,296	(274,296)	Capital projects	-	-	-	-
-	1,867,542	(1,867,542)	Council	457,564	1,967,096	(1,509,532)	(1,736,023)
6,860,000	9,659,554	(2,799,554)	Disaster Management	-	2,248,416	(2,248,416)	(2,844,931)
2,128,171	2,042,151	86,020	Finance	1,962,788	2,061,351	(98,563)	(4,331,655)
10,488,818	863,883	9,624,935	Levy collection	10,926,721	476,258	10,450,463	9,539,714
458,321	262,265	196,056	M P C C	107,144	324,624	(217,480)	(203,019)
-	-	-	CMC Secretariat	-	-	-	-
32,715,897	16,502,838	16,213,059	Municipal manager	32,078,657	20,044,086	12,034,571	20,067,062
1,810,835	1,850,973	(40,138)	P I M S S Centre	1,304,697	1,309,706	(5,009)	46,380
355,918	2,591,865	(2,235,947)	Development Planning	122,804	2,331,027	(2,208,223)	(3,638,399)
-	-	-	Budget & Treasury	323,311	326,278	(2,966)	(386,125)
39,632	11,939,207	(11,899,575)	Technical	10,159,702	9,238,768	920,934	(1,459,721)
6,727,957	5,629,175	1,098,782	C&PWP Operating Costs	-	487,829	(487,829)	-
8,525,891	6,524,422	2,001,469	Economic Services: Sanitation	-	-	-	(260,500)
1,915,444	1,898,801	16,643	uMvoti Sewer Retic	-	-	-	(260,500)
-	-	-	uMvoti WWTP	-	-	-	-
-	2,083	(2,083)	Tugela Ferry Sewer Retic	-	-	-	-
-	-	-	Pomeroy WWTP	-	-	-	-
6,610,447	4,623,538	1,986,909	eNdumeni Sewer Retic	-	-	-	-
-	-	-	Nquthu Sewer Retic	-	-	-	-
-	-	-	Nquthu WWTP	-	-	-	-
4,608,104	10,787,267	(6,179,164)	Trading Services: Bulk Water	31,841,986	31,841,985	-	(5,215,484)
63,000	31,848	31,152	Nondweni Bulk	29,570,813	28,447,825	1,122,988	-
-	-	-	Nondweni	1,235,373	1,235,373	-	-
1,715,236	8,776,869	(7,061,633)	Biggarberg Bulk	957,693	2,158,787	(1,201,095)	(5,215,484)
275,543	275,017	527	Ethembeni Bulk	-	-	-	-
540,424	576,092	(35,668)	Tugela Ferry Bulk	-	-	-	-
-	-	-	uMvoti Bulk	-	-	-	-
2,013,901	1,127,442	886,460	Nquthu Bulk	78,107	-	78,107	-
17,340,912	12,234,903	5,106,009	Trading Services: Water Reticulation	-	-	-	388,427
3,029,744	3,125,388	(95,645)	uMvoti Water Retic	-	-	-	-
52,880	52,880	-	Ethembeni Water Retic	-	-	-	-
365,145	365,145	-	Isandlwana Water Retic	-	-	-	-
-	-	-	Kranskop Water Retic	-	-	-	-
92,728	92,727	1	Matimatale Water Retic	-	-	-	-
22,922	22,922	-	Mbono Water Reticulation	-	-	-	-
163,966	163,966	-	Ndatswana Water Retic	-	-	-	-
20,278	20,278	-	Ngalokodo Water Retic	-	-	-	-
10,687	10,687	-	Nhlungwane Water Retic	-	-	-	-
12,142	12,142	-	Nkande Water Retic	-	-	-	-
211,196	211,196	-	Nondweni Water Retic	-	-	-	-
(19,003)	249,457	(268,460)	Nquthu 1 Water Retic	-	-	-	-
127,036	127,037	(1)	Nquthu 2 Water Retic	-	-	-	-
91,244	91,244	-	Nquthu 3 Water Retic	-	-	-	-
105,238	105,238	-	Nquthu 4 Water Retic	-	-	-	-
607,912	607,912	-	Nquthu Boreholes	-	-	-	-
-	-	-	Ntambende Water Retic	-	-	-	-
494,956	494,956	-	Tugela Ferry Boreholes	-	-	-	-
195,941	195,942	(1)	Tugela Ferry Water Retic	-	-	-	-
-	-	-	Pomeroy Water Retic	-	-	-	-
11,755,901	6,285,786	5,470,115	eNdumeni Water Retic	-	-	-	-
-	-	-	Wasbank Water Retic	-	-	-	388,427
-	-	-	Nquthu Water Retic	-	-	-	-
92,077,278	89,086,805	2,990,473	TOTAL	89,300,924	77,949,312	11,351,611	6,454,951
		(208,338)	Appropriations for this year (refer to note 15)			6,378,851	
		2,782,135	Net deficit for the year			17,710,441	
		5,554,075	Accumulated surplus / (deficit) beginning of the year			8,336,210	
		8,336,210	Accumulated surplus / (deficit) end of year			24,046,671	

UMZINYATHI DISTRICT MUNICIPALITY

APPENDIX F : STATISTICAL INFORMATION

	2005	2004	2003	2002	2001
General Statistics					
Levy tariffs					
Regional Establishment Levy (% of Turnover excluding VAT)	0.12	0.12	0.12	0.12	0.12
Regional Services Levy (% of Salaries, wages & drawings)	0.30	0.30	0.30	0.30	0.30
Number of Registered Levy Payers	1,896	1,791	1,459	1,279	1,977
Number of councillors of the Municipality	22	22	23	23	23
Number of employees of the Municipality	44	86	112	106	89
Number of water connections	-	722	236	*	*
Water Statistics					
Units purified (kL)	-	6,317,998	*	*	*
Units Sold (kL)	-	5,175,736	*	*	*
Distribution Loss (kL)	-	1,142,262	*	*	*
Distribution Loss (%)	-	18%	*	*	*
Average cost per unit sold (R)	-	3.98	*	*	*

The water and sanitation services were transferred to uThukela Water (Pty) Ltd in terms of a thirty year WSP agreement entered into by uThukela Water (Pty) Ltd and the four WSA's being uMzinyathi District Municipality, Amajuba District Municipality, uThukela District Municipality and Newcastle Local Municipality.

The assets and liabilities in respect of water and sanitation will be transferred to uThukela Water (Pty) Ltd.

* = Information not available